

# QUARTERLY REPORT

TRADING NAME OF LICENSEE: RIH ACQUISTIONS NJ, LLC (Atlantic City Hilton)

For The Quarter Ended June 30, 2005

TO THE  
CASINO CONTROL COMMISSION  
OF THE  
STATE OF NEW JERSEY

# BALANCE SHEETS

AS OF JUNE 30, 2005 AND 2004

(UNAUDITED)

(\$ IN THOUSANDS)

LINE	DESCRIPTION	2005	2004
(a)	(b)	(c)	(d)
	<b>ASSETS</b>		
	Current Assets:		
1	Cash and cash equivalents. ....	\$ 26,213	\$ -
2	Short-term investments. ....	-	-
3	Receivables and patrons' checks (net of allowance for doubtful accounts - 2005, \$ 2,230 ; 2004, \$ 0 ). .... NOTE 3. ....	14,034	-
4	Inventories. ....	1,233	-
5	Prepaid expenses and other current assets. ....	2,568	-
6	Total current assets. ....	44,048	-
7	Investments, Advances, and Receivables. .... NOTE 4. ....	10,029	-
8	Property And Equipment - Gross. .... NOTE 5. ....	380,394	-
9	Less: Accumulated Depreciation/Amortization. .... NOTES 2 & 5. ....	(2,075)	-
10	Property And Equipment - Net. ....	378,319	-
11	Other Assets. .... NOTES 1 & 6. ....	85,471	-
12	Total Assets. ....	\$ 517,867	\$ -
	<b>LIABILITIES AND EQUITY</b>		
	Current Liabilities:		
13	Accounts payable. ....	\$ 7,185	\$ -
14	Notes payable. ....	-	-
	Current portion of long-term debt. ....		
15	Due to affiliates. ....	-	-
16	Other. ....	-	-
17	Income taxes payable and accrued. ....	280	-
18	Other accrued expenses. .... NOTE 7. ....	10,476	-
19	Other current liabilities. .... NOTE 8. ....	5,851	-
20	Total current liabilities. ....	23,792	-
	Long-Term Debt:		
21	Due to affiliates. ....	-	-
22	Other. ....	-	-
23	Deferred Credits. ....	-	-
24	Other Liabilities. ....	-	-
25	Commitments And Contingencies. ....	-	-
26	Total Liabilities. ....	23,792	-
27	Stockholders', Partners', or Proprietor's Equity. ....	494,075	-
28	Total Liabilities And Equity. ....	\$ 517,867	\$ -

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

# STATEMENTS OF INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2005 AND 2004\*

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2005* (c)	2004 (d)
	Revenues:		
1	Casino. ....	\$ 53,203	\$ -
2	Rooms. ....	4,467	-
3	Food and beverage. ....	7,030	-
4	Other. ....	1,352	-
5	Total Revenues. ....	66,052	-
6	Less: Promotional allowances. ....	15,799	-
7	Net Revenues. ....	50,253	-
	Costs And Expenses:		
8	Cost of goods and services. ....	32,910	-
9	Selling, general, and administrative. ....	8,710	-
10	Provision for doubtful accounts. ....	58	-
11	Total Costs and Expenses. ....	41,678	-
12	Gross Operating Profit. ....	8,575	-
13	Depreciation and Amortization. ....	2,093	-
	Charges from affiliates other than interest:		
14	Management fees. ....	-	-
15	Other. ....	-	-
16	Income (Loss) From Operations. ....	6,482	-
	Other Income (Expenses):		
17	Interest (expense)-affiliates. ....	-	-
18	Interest (expense)-external. ....	-	-
19	Investment alternative tax and related income (expense) - net. ....	(402)	-
20	Nonoperating income (expense) - net. .... NOTE 10. ....	195	-
21	Total Other Income (Expenses). ....	(207)	-
22	Income (Loss) Before Income Taxes And Extraordinary Items. ....	6,275	-
23	Provision (credit) for income taxes. .... NOTE 2. ....	(267)	-
24	Income (Loss) Before Extraordinary Items. ....	6,542	-
25	Extraordinary items (net of income taxes - 20__, \$ ) ....	-	-
26	Net Income (Loss). ....	\$ 6,542	\$ -

\*Represents operations from 4/26/05 to 6/30/05.

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

# STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED JUNE 30, 2005 AND 2004\*

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2005* (c)	2004 (d)
	Revenues:		
1	Casino. ....	\$ 53,203	\$ -
2	Rooms. ....	4,467	-
3	Food and beverage. ....	7,030	-
4	Other. ....	1,352	-
5	Total Revenues. ....	66,052	-
6	Less: Promotional allowances. ....	15,799	-
7	Net Revenues. ....	50,253	-
	Costs And Expenses:		
8	Cost of goods and services. ....	32,910	-
9	Selling, general, and administrative. ....	8,710	-
10	Provision for doubtful accounts. ....	58	-
11	Total Costs and Expenses. ....	41,678	-
12	Gross Operating Profit. ....	8,575	-
13	Depreciation and Amortization. ....	2,093	-
	Charges from affiliates other than interest:		
14	Management fees. ....	-	-
15	Other. ....	-	-
16	Income (Loss) From Operations. ....	6,482	-
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17	Interest (expense)-affiliates. ....	-	-
18	Interest (expense)-external. ....	-	-
19	Investment alternative tax and related income (expense) - net. ....	(402)	-
20	Nonoperating income (expense) - net. .... NOTE 10. ....	195	-
21	Total Other Income (Expenses). ....	(207)	-
22	Income (Loss) Before Income Taxes And Extraordinary Items. ....	6,275	-
23	Provision (credit) for income taxes. .... NOTE 2. ....	(267)	-
24	Income (Loss) Before Extraordinary Items. ....	6,542	-
25	Extraordinary items (net of income taxes - 20__, \$ ) ....	-	-
26	Net Income (Loss). ....	\$ 6,542	\$ -

\*Represents operations from 4/26/05 to 6/30/05.

The accompanying notes are an integral part of the financial statements.

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# STATEMENT OF CHANGES IN PARTNERS' OR PROPRIETOR'S EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2004 AND THE SIX MONTHS ENED JUNE 30, 2005

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Contributed Capital (c)	Accumulated Earnings (Deficit) (d)		Total Equity (Deficit) (f)
				(e)	
1	Balance, December 31, 2003. . .	\$ -	\$ -	\$ -	\$ -
2	Net Income (Loss) - 2004. . . . .				
3	Capital Contributions. . . . .				
4	Capital Withdrawals. . . . .				
5	Partnership Distributions. . . . .				
6	Prior Period Adjustments. . . . .				
7					
8					
9					
10	Balance, December 31, 2004. . .	-	-	-	-
11	Net Income (Loss) - 2005. . . . .		6,542		6,542
12	Capital Contributions. . . . .	487,533			487,533
13	Capital Withdrawals. . . . .				
14	Partnership Distributions. . . . .				
15	Prior Period Adjustments. . . . .				
16					
17					
18					
19	Balance, June 30, 2005. . . . .	\$ 487,533	\$ 6,542	\$ -	\$ 494,075

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

# STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2005 AND 2004\*

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2005* (c)	2004 (d)
1	Net Cash Provided (Used) By Operating Activities. ....	\$ 16,013	\$ -
	Cash Flows From Investing Activities:		
2	Purchase of short-term investment securities. ....	-	-
3	Proceeds from the sale of short-term investment securities. ....	-	-
4	Cash outflows for property and equipment. ....	(1,133)	-
5	Proceeds from disposition of property and equipment. ....	96	-
6	Purchase of casino reinvestment obligations. ....	(678)	-
7	Purchase of other investments and loans/advances made. ....	-	-
8	Proceeds from disposal of investment and collection of advances and long-term receivables. ....	-	-
9	Cash outflows to acquire business entities. ....	16,475	-
10	Increase in construction - related liabilities. ....	-	-
11		-	-
12	Net Cash Provided (Used) By Investing Activities. ....	14,760	-
	Cash Flows From Financing Activities:		
13	Cash proceeds from issuance of short-term debt. ....	-	-
14	Payments to settle short-term debt. ....	-	-
15	Cash proceeds from issuance of long-term debt. ....	-	-
16	Costs of issuing debt. ....	-	-
17	Payments to settle long-term debt. ....	-	-
18	Cash proceeds from issuing stock or capital contribution. ....	487	-
19	Purchases of treasury stock. ....	-	-
20	Payments of dividends or capital withdrawals. ....	-	-
21	Change in receivable from affiliate. ....	(5,047)	-
22	Debt retirement costs. ....	-	-
23	Net Cash Provided (Used) By Financing Activities. ....	(4,560)	-
24	Net Increase (Decrease) In Cash And Cash Equivalents. ....	26,213	-
25	Cash And Cash Equivalents At Beginning Of Year. ....	-	-
26	Cash And Cash Equivalents At End Of Year. ....	\$ 26,213	\$ -

## SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	Cash Paid During Year For:		
27	Interest (net of amount capitalized) . ....	\$ -	\$ -
28	Income taxes paid (refunded) - net . ....	\$ 466	\$ -

\*Represents operations from 4/26/05 to 6/30/05.

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

# STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2005 AND 2004\*

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2005* (c)	2004 (d)
	Net Cash Flows From Operating Activities:		
29	Net income (loss). . . . .	\$ 6,542	\$ -
	Noncash items included in income and cash items excluded from income:		
30	Depreciation and amortization of property and equipment. . . . .	2,093	-
31	Amortization of other assets. . . . .	-	-
32	Amortization of debt discount or premium. . . . .	-	-
33	Deferred income taxes - current. . . . .	-	-
34	Deferred income taxes - noncurrent. . . . .	-	-
35	(Gain) loss on disposition of property and equipment. . . . .	(96)	-
36	(Gain) loss on casino reinvestment obligations. . . . .	402	-
37	(Gain) loss from other investment activities. . . . .	-	-
38	Net (increase) decrease in receivables and patrons' checks. . . . .	(4,884)	-
39	Net (increase) decrease in inventories. . . . .	(188)	-
40	Net (increase) decrease in other current assets. . . . .	(1,400)	-
41	Net (increase) decrease in other assets. . . . .	(501)	-
42	Net increase (decrease) in accounts payables. . . . .	5,379	-
43	Net increase (decrease) in other current liabilities excluding debt. . . . .	8,666	-
44	Net increase (decrease) in other noncurrent liabilities excluding debt. . . . .	-	-
45	Loss on extinguishment of debt, net of tax benefit of \$. . . . .	-	-
46	Amortization of CRDA assets . . . . .	-	-
47	Net Cash Provided (Used) By Operating Activities. . . . .	\$ 16,013	\$ -

## SUPPLEMENTAL SCHEDULE OF INVESTING AND FINANCING ACTIVITIES

	Acquisition Of Property And Equipment:		
48	Additions to property and equipment. . . . .	\$ 1,133	\$ -
49	Less: Capital lease obligations incurred. . . . .	-	-
50	Cash Outflows For Property And Equipment. . . . .	\$ 1,133	\$ -
	Acquisition Of Business Entities:		
51	Property and equipment acquired. . . . .	\$ 379,261	\$ -
52	Goodwill acquired. . . . .	82,753	-
53	Net assets acquired other than cash, goodwill, and property and equipment. . . . .	8,557	-
54	Long-term debt assumed. . . . .	-	-
55	Issuance of stock or capital invested. . . . .	(487,046)	-
56	Cash Outflows To Acquire Business Entities. . . . .	\$ (16,475)	\$ -
	Stock Issued Or Capital Contributions:		
57	Total issuances of stock or capital contributions. . . . .	\$ 487	\$ -
58	Less: Issuances to settle long-term debt. . . . .	-	-
59	Consideration in acquisition of business entities. . . . .	-	-
60	Cash Proceeds From Issuing Stock Or Capital Contributions. . . . .	\$ 487	\$ -

\*Represents operations from 4/26/05 to 6/30/05.

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

# SCHEDULE OF PROMOTIONAL EXPENSES AND ALLOWANCES

(\$ IN THOUSANDS)

FOR THE SIX MONTHS ENDED JUNE 30, 2005\*\*

Line (a)	(b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	75,536	\$ 2,981		\$
2	Food	191,088	3,600		
3	Beverage	559,776	1,455		
4	Travel			14,272	245
5	Bus Program Cash	111,101	1,938		
6	Other Cash Complimentaries	110,772	5,417		
7	Entertainment	13,468	336	957	120
8	Retail & Non-Cash Gifts			11,636	729
9	Parking				
10	Other *	1,792	72	25,084	1,010
11	Total	1,063,533	\$ 15,799	51,949	\$ 2,104

FOR THE THREE MONTHS ENDED JUNE 30, 2005\*\*

Line (a)	(b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	75,536	\$ 2,981		\$
2	Food	191,088	3,600		
3	Beverage	559,776	1,455		
4	Travel			14,272	245
5	Bus Program Cash	111,101	1,938		
6	Other Cash Complimentaries	110,772	5,417		
7	Entertainment	13,468	336	957	120
8	Retail & Non-Cash Gifts			11,636	729
9	Parking				
10	Other *	1,792	72	25,084	1,010
11	Total	1,063,533	\$ 15,799	51,949	\$ 2,104

\* No item in this category exceeds 5%.

\*\*Represents operations from 4/26/05 to 6/30/05.



## RIH ACQUISITIONS NJ, LLC NOTES TO FINANCIAL STATEMENTS

### 1. Basis of Presentation

RIH Acquisitions NJ, LLC (the "Company") is a wholly-owned subsidiary of Resorts International Holdings, LLC ("Holdings"). On April 26, Holdings acquired most of the assets and assumed certain liabilities of four casino properties, including the Atlantic City Hilton, from Caesars Entertainment Inc. and Harrah's Entertainment Inc. (the "Acquisition"). The debt incurred to finance the Acquisition is carried on the balance sheet of Holdings. The assets acquired and liabilities assumed of the Atlantic City Hilton as a result of the Acquisition were recorded, via a capital contribution, on the balance sheet of the Company. The Acquisition has been accounted for using the purchase method of accounting, and accordingly, the aggregate purchase price, including transaction fees and expenses, has been allocated based on the fair value of the assets acquired and the liabilities assumed.

The accompanying financial statements have been prepared in accordance with the rules and regulations of the New Jersey Casino Control Commission (the "Commission") for Quarterly Reports. Accordingly, they do not include the information and footnotes required by generally accepted accounting principals for complete financial statements.

These accompanying financial statements are unaudited. In the opinion of management, all adjustments, consisting of normal recurring accruals considered necessary for fair presentation have been included. The casino industry is seasonal in nature; accordingly, operating results for the six and three months ended June 30, 2005, are not necessarily indicative of the results that may be expected for the final close of the year ended December 31, 2005.

### 2. Summary of Significant Accounting Policies

#### Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Allowances for doubtful accounts arising from casino, hotel and other services, are based upon a specific review of certain outstanding receivables. In determining the amounts of the allowances, certain estimates and assumptions are made, and actual results may differ from those assumptions.

#### Cash Equivalents

Short-term money market securities purchased with original maturities of three months or less are considered to be cash equivalents. These securities are classified as available-for-sale, which are carried at fair value with unrealized gains and losses, net of tax, reported in other comprehensive income. The carrying value of cash equivalents approximates fair value due to the short-term maturity of these instruments.

#### Inventories

Inventories of provisions, supplies and spare parts are valued at the lower of cost (weighted average cost method) or market.

#### Property and Equipment

Property and equipment are stated at cost and are depreciated over their estimated useful lives reported below using the straight-line method.

Hotels and other buildings	35 – 40 years
Furniture fixtures and equipment	2 – 5 years

The provisions of SFAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets" requires, among other things, that an entity review its long-lived assets and certain intangibles for impairment whenever changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. SFAS No. 144 requires an impairment loss to be recognized only if the carrying amounts of long-lived assets to be held and used are not recoverable from their expected undiscounted future cash flows. There was no impairment recognized for the periods presented.

## 2. Summary of Significant Accounting Policies (continued)

### Income Taxes

The Company has elected to be treated as a partnership for federal income tax purposes: therefore, no provision or benefit for federal income taxes for the three and six months ended June 30, 2005 has been recorded. New Jersey state income taxes have been calculated under an alternative minimum assessment of a percentage of gross revenues.

On June 30, 2003, the State of New Jersey amended the Casino Control Act, effective July 1, 2003, to impose or increase certain taxes and fees, including a tax at the rate of 7.5% on the adjusted net income of casino licenses in calendar year 2002, payable in the state's fiscal years 2004 through 2006. The amount of this tax for each licensee is limited to a maximum of \$10.0 million annually and a minimum of \$350,000 annually. For the three and six months ended June 30, 2005, the Company recorded a provision of \$234,000 for this tax.

### Revenue Recognition

Gaming revenue is recorded as the net win from gaming activities, which represents the difference between amounts wagered and amounts won by patrons. Revenues from hotel and related services and from theater ticket sales are recognized at the time the related service is performed.

## 3. Receivables

Components of receivables were as follows at June 30 (in thousands):

	2005
Gaming .....	\$ 8,215
Less: allowance for doubtful accounts .....	(2,222)
	<u>5,993</u>
Non-gaming:	
Hotel and related .....	771
Affiliates .....	5,122
Other .....	2,156
	<u>8,049</u>
Less: allowance for doubtful accounts .....	(8)
	<u>8,041</u>
Receivables, net .....	<u>\$ 14,034</u>

## 4. Investments, Advances and Receivables

Components of investments, advances and receivables were as follows at June 30 (in thousands):

	2005
CRDA bonds and direct investments .....	\$ 10,433
CRDA deposits .....	5,836
Valuation allowance .....	(6,240)
	<u>\$ 10,029</u>

The New Jersey Casino Control Act provides, among other things, for an assessment of licensees equal to 1.25% of their gross gaming revenues in lieu of an investment alternative tax equal to 2.5% of gross gaming revenues. The Company has satisfied this investment obligation by investing in qualified eligible direct investments, making qualified contributions or depositing funds with the Casino Reinvestment Development Authority ("CRDA"). Funds deposited with the CRDA may be used to purchase bonds designated by the CRDA or, under certain circumstances, may be donated to the CRDA in exchange for credits against future CRDA investment obligations. CRDA bonds have varying terms of up to fifty years and bear interest at below market rates. The Company records a charge to reflect the estimated realizable value of its CRDA investments.

Amended

9/14/05

**5. Property and Equipment**

Components of property and equipment were as follows at June 30 (in thousands):

	2005
Land.....	\$84,600
Buildings and improvements .....	247,921
Furniture, fixtures and equipment.....	42,164
Construction in progress .....	5,709
	<u>380,394</u>
Less: accumulated depreciation .....	(2,075)
Net property and equipment .....	<u>\$378,319</u>

**6. Other Assets**

Components of other assets were as follows at June 30 (in thousands):

	2005
Goodwill.....	\$ 83,240
Definite lived intangibles, net of accumulated amortization.....	2,181
Other.....	50
	<u>\$ 85,471</u>

**7. Other Accrued Expenses**

Components of other accrued expenses were as follows at June 30 (in thousands):

	2005
Payroll and related liabilities .....	\$ 6,549
Gaming taxes and fees .....	3,249
Other.....	678
	<u>\$ 10,476</u>

**8. Other Current Liabilities**

Components of other current liabilities were as follows at June 30 (in thousands):

	2005
Accrued comp bank .....	\$ 1,310
Chip and token liability .....	1,301
Payable to affiliates .....	700
Other.....	2,540
	<u>\$ 5,851</u>

**9. Related Party Transactions**

The Company transfers cash in excess of its operating needs to Holdings on a periodic basis. Holdings provides the Company with cash advances for capital expenditures and working capital needs.

Certain executive, administrative and support operations of the Company and other affiliates are consolidated, including limousine services, advertising, sales and marketing services, purchasing and other administrative departments. Costs of these operations are allocated to or from the Company either directly or using various formulas based on estimates of utilization of such services. Management believes the methods used to allocate these costs are reasonable.

(AC Hilton)

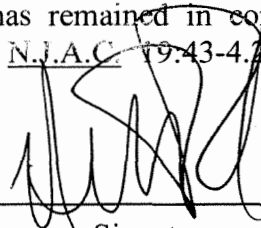
**10. Non-operating income (expense), net**

Components of non-operating income (expense) were as follows at June 30 (in thousands):

	<u>2005</u>
Interest income .....	\$ 99
Gain of sale of assets .....	96
	<u>\$ 195</u>

STATEMENT OF CONFORMITY, ACCURACY AND COMPLIANCE

1. I have examined this Quarterly Report.
2. All the information contained in this Quarterly Report has been prepared in conformity with the Casino Control Commission's Quarterly Report Instructions and Uniform Chart of Accounts.
3. To the best of my knowledge and belief, the information contained in this report is accurate.
4. To the best of my knowledge and belief, except for the deficiencies noted below, the licensee submitting this Quarterly Report has remained in compliance with the financial stability regulations contained in N.J.A.C. 19:43-4.2(b)1-5 during the quarter.

  
\_\_\_\_\_  
Signature

President  
Title

002895-11  
License Number

On Behalf of:

RIH Acquisitions NJ, LLC (Atlantic City Hilton)  
Casino License